

# GENERAL MEETING

17 August 2010

Peter Coates AO, Chairman



## *Introduction*

Good morning ladies and gentlemen and welcome to an **Extraordinary General Meeting** for Minara Resources' shareholders.

This meeting has been called for the specific purpose of asking shareholders to consider and, if thought fit, to pass a resolution relating to a return of capital to all shareholders.

My role here today is to provide you with an overview of the reasons behind this proposal and to update you on Minara's current activities.

It seems like a world away that I stood before shareholders at the company's annual general meeting in April 2009 and discussed the extremely challenging period between 2008 and early 2009 – a period in which it became necessary to implement an immediate change of direction for Minara. During that period, extreme pressures were placed on our business as a result of increased input costs, falling metals markets and the global financial crisis and consequent world recession. The company explored all avenues to raise equity. Raising capital via a public offer to shareholders was considered the best available option.

Thankfully, the company's equity raising and our "back to basics" philosophy focusing on capital conservation, cost minimisation, productivity improvement and high operational standards placed Minara in a sound position for the inevitable recovery of world commodity markets.

## **The proposal – background**

Many of you supported Minara strongly during the difficult times, in that you helped us raise \$210 million of additional capital through a Rights Issue announced in October 2008. The purpose of this capital was to meet ongoing commitments, fund maintenance on plant and equipment, repay short-term funding and generally provide a buffer in the event of worsening conditions.

At the time of the announcement, we outlined the proposed usage of the proceeds of the Rights Issue very clearly – in particular, we specified approximately \$111 million was for working capital and the funding of ongoing operations.

Shortly after the Rights Issue, the price of nickel and cobalt began to stabilise and then eventually improve. The threat of further significant price falls did not eventuate and the global economy showed signs of improvement. At the same time, our input costs reduced back to historic levels and our cost reduction strategies began to deliver savings. All these forces worked together to enable the company to maintain an improving cash operating position in 2009.

Since that time, we have returned to the pleasing position of generating positive operating cash flows, which has seen our cash reserves grow to \$363 million as at 30 June 2010.

Due to the change in the global economy and our appropriate responses to the changing environment, we are now confident that there is no longer a need to retain the \$111 million working capital fund. This portion of the cash raised under the Rights Issue is now considered by Minara's Board of Directors to be in excess of the company's cash requirements.

## **The proposal – specifics**

It is proposed that this working capital fund of \$111 million is distributed to shareholders by way of a return of capital.

This will be at the rate of 9.5 cents per fully paid ordinary share held as at the Record Date of 25 August 2010, with an expected payment date of 6 September.

A Class Ruling has been issued by the Australian Tax Office in relation to the return of capital, which has confirmed that no part of the capital returned will be deemed to be a taxable dividend in the hands of recipient shareholders.

Minara's Board of Directors unanimously recommends that shareholders vote in favour of the proposed resolution.

## **State of play**

The Board's decision to propose the return of capital reflects our confidence in the company's current financial position and in our production capability moving forward.

We remain debt-free, with strong and growing cash reserves. Because of our strong balance sheet, the proposed return of capital does not diminish the company's pursuit of growth opportunities.

## **Conclusion**

In conclusion, I would like to record Minara's appreciation for our Joint Venture partner, Glencore International AG, for its ongoing support of our operations.

Finally, on behalf of the Board I would like to thank the management team. Their success is clearly demonstrated as Minara remains a healthy, secure business with significant cash reserves and a bright future.

The proposed return of capital is proof that we continue to focus on delivering strong returns to you, our shareholders.

Thank you

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